

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**Docket No. 2009-489-E**

**May 3, 2010**

IN RE: Application of South Carolina Electric	)	
& Gas Company for Adjustments and	)	STIPULATION
Increases in the Company's Electric	)	ON CERTAIN
Rate Schedules and Tariffs	)	MATTERS
_____	)	

This Stipulation ("Stipulation") is made by and between the South Carolina Office of Regulatory Staff ("ORS") and South Carolina Electric & Gas Company ("SCE&G" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, ORS and SCE&G have varying positions regarding the issues in this case;

WHEREAS, ORS and SCE&G have engaged in discussions to determine if a stipulation on certain issues would be in their best interests and in the case of ORS, in the public interest;

WHEREAS, in those discussions, the Parties agreed to a 10.7 % return on common equity, a pilot weather normalization adjustment ("WNA") mechanism described more fully below, and a one-time credit of \$25 million to SCE&G's retail electric customers; and

WHEREAS, following those discussions, SCE&G has determined that its interests, and ORS has determined that the public interest, would be best served by stipulating to certain issues pending in the above-captioned case under the terms and conditions set forth below:

- 1) The Parties agree to place into the record before the Commission this Stipulation.

2) The Parties stipulate and agree that in recognition of the Company's current cost of equity capital, a return on common equity ("ROE") of 10.7% should be the allowed ROE for SCE&G.

3) In addition, ORS agrees that SCE&G may implement a pilot WNA mechanism for a twelve-month period to mitigate fluctuations in customers' monthly bills. Under the WNA, certain residential and small general service customers' energy rates may be adjusted downward or upward monthly to reflect normal weather conditions. Normal weather conditions are defined as the average temperature over the most recent fifteen years for which data is available, and SCE&G will use the historical temperature record for the Columbia and Charleston airports to calculate normal weather conditions for each location. The Parties agree that the WNA, if approved, will apply only to residential and commercial customers receiving electric service under rate schedules 1, 6, 8 and 9 as these rates contain over 91% of test year kilowatt hour sales in those classes and are the most weather sensitive on SCE&G's system. The Parties agree to propose that the WNA begin with the first billing cycle in the first month in which the Company can implement it following issuance of an Order in this docket and no later than the first billing cycle for October 2010. If approved, the Company will give notice to customers through a bill insert to advise its customers of the WNA and its operation. In addition, so long as the pilot program is in operation, SCE&G will file a monthly report to the Commission, with a copy to be provided to ORS, which shows the current month and cumulative effect of the WNA. At the conclusion of the twelve-month WNA period, the Company will also file a comprehensive report with the Commission, with a copy to be provided to ORS, showing the aggregate impact and conclusions for the future of the program. The Company will maintain its books and records in sufficient detail to enable the Commission and ORS to determine the revenue impact of the WNA mechanism by rate schedule. After the comprehensive report is filed, either Party may

petition the Commission to modify or terminate the WNA. The WNA shall remain in effect until the Commission acts on either or both of these petitions.

4) In consideration for the terms stated herein, SCE&G estimates that a program of this nature would have saved customers approximately \$22.5 million in the first quarter of 2010 and accordingly has offered to apply a one-time credit of approximately \$25 million dollars (\$25,000,000). If the pilot WNA program is approved, then the credit will be applied via a decrement rider which will remain in place for the same duration as the WNA twelve-month period or until all credits have been exhausted. The decrement rider automatically terminates when the credits are exhausted. The Parties acknowledge there is a possibility that more than \$25 million may be credited to customers. If the customers are over-credited, then the difference between the actual credit and the \$25 million will be placed in a deferred account with carrying charges at the 3-year U.S. Government Treasury Notes, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points) to be recovered in a future general rate case proceeding.

5) The Parties agree that the application of the credit to the electric bills of SCE&G's customers is contingent upon the Commission's approval of the pilot WNA program and a return on equity of 10.7%; without Commission approval of the pilot WNA program and the 10.7% return on equity, no basis in fact exists for the proposed one-time credit, and therefore no credit will be made.

6) The Parties agree that signing this Stipulation (a) will not constrain, inhibit, impair, or prejudice their arguments or positions on remaining matters in this docket or held in future or collateral proceedings, (b) will not constitute a precedent or evidence of acceptable practice in future proceedings, and (c) will not limit the relief, rates, recovery or rates of return that any Party may seek or advocate in any future proceeding. If the Commission declines to

approve the Stipulation in its entirety, then any Party desiring to do so may withdraw from the Stipulation without penalty or obligation.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

## Representing and binding the South Carolina Office of Regulatory Staff



Nanette S. Edwards, Esquire

Shannon Bowyer Hudson, Esquire

**Office of Regulatory Staff**

1401 Main Street, Suite 900

Columbia, SC 29201

Phone: (803) 737-0575

(803) 737-0889

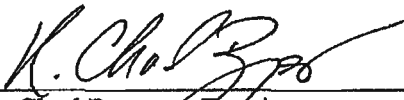
Fax: (803) 737-0895

Email: [nsedwar@regstaff.sc.gov](mailto:nsedwar@regstaff.sc.gov)

[shudson@regstaff.sc.gov](mailto:shudson@regstaff.sc.gov)

WE AGREE:

**Representing and binding South Carolina Electric & Gas Company**

  
\_\_\_\_\_  
K. Chad Burgess, Esquire  
Matthew W. Gissendanner, Esquire  
**South Carolina Electric & Gas Company**  
Mail Code C222  
220 Operation Way  
Cayce, SC 29033  
Phone: (803) 217-8141  
Fax: (803) 217-7931  
Email: chad.burgess@scana.com  
matthew.gissendanner@scana.com

Mitchell Willoughby, Esquire  
**Willoughby & Hoefer, P.A.**  
Post Office Box 8416  
1022 Calhoun Street, Suite 302  
Columbia, SC 29202-8416  
Phone: (803) 252-3300  
Fax: (803) 256-8062  
Email: mwilloughby@willoughbyhoefer.com

Belton T. Zeigler, Esquire  
Lee Dixon, Esquire  
**Pope Zeigler, LLC**  
1411 Gervais Street, Suite 300  
Columbia, South Carolina 29211  
Phone: (803) 354-4949  
Fax: (803) 354-4889  
Email: bzeigler@popezeigler.com  
ldixon@popezeigler.com